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CITY COUNCIL

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March 6, 2009

Contra Costa County Auditor Controller
Property Tax Division
2530 Arnold Drive, Suite 100
Martinez, California 94553-4359

The City of Lafayette Redevelopment Agency under Section 33685 of the California Health and Safety code will make a payment of $ 229,495 to the Education Revenue Augmentation Fund (ERAF) before May 1, 2009.

As you may know, the validity of the legislation mandating this ERAF transfer has been challenged in litigation pending in the Superior Court for Sacramento County, California Redevelopment Association et al v. Genest et al, Case No. 34-2008-00028334-CU-WM-GDS (CRA V. Genest). This case alleges, among other things, that the duties of county auditors under Health and Safety code Sections 33685(a) and 33687(a) to deposit funds received from redevelopment agencies in County Educational Revenue Augmentation Funds are inconsistent with various state and federal constitutional provisions and are therefore unlawful and unenforceable. The City of Lafayette Redevelopment Agency reserves any rights it may have to withhold the payment of funds to you under Health and Safety Code Section 33685 or to recover those funds after payment or transfer based on any order or judgment of the Court in CRA v. Genest.

Sincerely,

Gonzalo L. Silva

Financial Services Manager

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111.

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Fact Sheet: The ERAF Property Tax Shift

In 1992, the State of California found itself in a serious deficit position. To meet its obligations to fund education at specified levels under Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The state did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAFs), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools.

In fiscal 2008-09, the annual impact of the ERAF shift is a shortstopping of some **$7.5 billion** from cities, counties, special districts and the citizens those entities serve. In addition, the FY2008-09 budget includes the shift of **$350 million** from redevelopment agency revenues. Since their inception, the ERAF shifts have deprived local governments of over **$80 billion**. Counties have borne some 73 percent of this shift; cities have shouldered 16 percent.

The state has provided some funding to local governments that it considers mitigation of ERAF. However, the vast majority of these funds are earmarked for particular purposes. Moreover, a relatively small portion of these funds has gone to cities. In 1992, California voters approved Proposition 172, which provided sales tax funding for police, fire and other public safety programs. Proposition 172 funds provide only $3 billion annually to local government, **leaving local citizens facing a $4.8 billion net ERAF gap in FY 2008-09**. Considering all state subventions that the Legislative Analyst defines as "ERAF mitigation," the net ERAF impact on cities is nearly $900 Million in the current year,[1] **not** including the additional $350 million impact on redevelopment agencies.

As a part of the budget agreement that put Proposition 1A of 2004 on the ballot to protect city revenues from additional shifts and state takeaways, cities counties and special districts agreed to contribute an additional $1.3 billion per year in FY04-05 and FY05-06. Although these ERAF III shifts ended in FY06-07, the original on-going shifts that began in 1992-94, have not been reduced at all.[2] Proposition 1A, which passed by an unprecedented 84% yes vote, constitutionally protects major city revenues from additional shifts to the state and strengthens local government's ability to get reimbursement for unfunded mandates. However, it did not provide local governments with any new revenue nor reduce or alter the ERAF I and II shifts.

The ERAF takeaways have had real impacts on Californians' quality of life and the attractiveness of local communities to business. City residents have experienced the following consequences of the ERAF shift:

- ☐ Cuts in human services, including parks, libraries and other community services
- ☐ Deferred maintenance on the public's investment in its infrastructure
- ☐ Greater pressure for increases in local taxes, fees and assessments

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[1] Cities not including the City/County of San Francisco.

[2] Subsequent to the transfer of these funds, they are reallocated within each county back to cities and counties to compensate for the state's repeal of the VLF backfill in 2004 and the temporary ¼ cent sales tax shift to support the state deficit reduction bonds. However, this mechanism does not alter the existence or real effect of the ERAF I and II shifts.

- Reductions in reserves and greater reliance on debt rather than cash financing for capital improvements

All of this comes at a time when California's population is growing rapidly and is creating demands for additional services and facilities. Indeed, the population growth in cities (57 percent) has exceeded the statewide population growth rate (46 percent) over the past 20 years.

mjgc

Silva, Gonzalo

From: Ray Ellinger [relli@ac.cccounty.us]
Sent: Wednesday, March 04, 2009 12:31 PM
To: Silva, Gonzalo
Cc: bcamp@ac.cccounty.us
Subject: ERAF Letter of Intent

Importance: High

Mr. Silva:

As of this date the Auditor Controller's Office has not received your letter of intent regarding the ERAF payment as required by Section 33685 of the California Health & Safety Code.

The H&S code stipulates that the Auditor Controller is to be notified by March 1 of each year as to how the Redevelopment Agencies intend to fund its required payment to the county Educational Revenue Augmentation Fund (ERAF) from redevelopment property tax increment funds available from each of its projects.

Please advise our office as to when we may expect to receive your letter of intent.

Thank you.

Raymond Ellinger

	2008-09 RDA TRANSFER TO ERAF - HEALTH AND SAFETY CODE 33685				
Redevelopment Agency Name	2006-07 Tax Increment Net of Pass-Throughs	2006-07 Gross Tax Increment	175,000,000 on Net Tax Increment Based on Net Factor (0.0465017223)	175,000,000 on Net Tax Increment Based on Gross Factor (0.0369026017)	Total ERAF
Alameda County Redevelopment Agency	13,353,492	16,709,258	620,960	616,615	**1,237,575**
Albany Community Reinvestment Agency	338,741	388,831	15,752	14,349	**30,101**
Berkeley Redevelopment Agency	1,542,317	1,677,368	71,720	61,899	**133,620**
City of Livermore Redevelopment Agency	3,601,983	4,166,077	167,498	153,739	**321,237**
Community Improvement Commission of the City of Alameda	9,885,398	12,266,563	459,688	452,668	**912,356**
Community Redevelopment Agency of the City of Union City	18,794,156	19,402,452	873,961	716,001	**1,589,962**
Emeryville Redevelopment Agency	26,013,199	30,156,114	1,209,659	1,112,839	**2,322,498**
Redevelopment Agency of the City of Fremont	23,144,511	31,694,882	1,076,260	1,169,624	**2,245,883**
Redevelopment Agency of the City of Hayward	10,457,443	11,465,642	486,289	423,112	**909,401**
Redevelopment Agency of the City of Oakland	94,869,433	109,612,812	4,411,592	4,044,998	**8,456,590**
Redevelopment Agency of the City of San Leandro	13,594,610	17,853,728	632,173	658,849	**1,291,022**
Butte County					
Oroville Redevelopment Agency	5,423,867	6,472,639	252,219	238,857	**491,076**
Paradise Redevelopment Agency	306,270	382,838	14,242	14,128	**28,370**
Gridley Redevelopment Agency	525,617	591,880	24,442	21,842	**46,284**
Chico Redevelopment Agency	19,836,044	26,550,553	922,410	979,784	**1,902,195**
Contra Costa County Redevelopment Agency	14,385,381	16,927,626	668,945	624,673	**1,293,618**
Richmond Redevelopment Agency	24,953,804	24,953,804	1,160,395	920,860	**2,081,255**
Redevelopment Agency of the City of San Pablo	14,400,340	14,959,091	669,641	552,029	**1,221,670**
Danville Community Development Agency	1,707,691	2,032,218	79,411	74,994	**154,405**
City of Walnut Creek Redevelopment Agency	3,408,132	3,408,132	158,484	125,769	**284,253**
San Ramon Redevelopment Agency	6,192,674	8,298,281	287,970	306,228	**594,198**
City of Clayton Redevelopment Agency	4,554,908	5,223,459	211,811	192,759	**404,570**
City of El Cerrito Redevelopment Agency	4,002,540	4,807,391	186,125	177,405	**363,530**
Redevelopment Agency of the City of Pittsburg	39,451,382	47,087,969	1,834,557	1,737,669	**3,572,226**
Antioch Development Agency	6,394,118	7,014,913	297,337	258,869	**556,206**

Hercules Redevelopment Agency	11,443,293	13,409,461	532,133	494,844	**1,026,977**
Lafayette Redevelopment Agency	2,448,324	3,133,751	113,851	115,644	**229,495**
Oakley Redevelopment Agency	3,379,883	4,188,522	157,170	154,567	**311,738**
Pinole Redevelopment Agency	8,533,205	9,083,038	396,809	335,188	**731,996**
Pleasant Hill Redevelopment Agency	4,508,563	4,944,024	209,656	182,447	**392,103**
Redevelopment Agency of the City of Concord	14,738,776	14,993,137	685,378	553,286	**1,238,664**
Brentwood Redevelopment Agency	5,759,291	7,386,474	267,817	272,580	**540,397**
Del Norte County					
Crescent City Redevelopment Agency	630,501	915,925	29,319	33,800	**63,119**
El Dorado County					
Redevelopment Agency of the City of South Lake Tahoe	5,003,075	5,233,873	232,652	193,144	**425,795**
Fresno County Redevelopment Agency	140,734	180,279	6,544	6,653	**13,197**
Reedley Redevelopment Agency	930,511	2,337,586	43,270	86,263	**129,533**
Selma Redevelopment Agency	772,729	1,199,246	35,933	44,255	**80,189**
Redevelopment Agency of the City of Firebaugh	926,159	1,109,370	43,068	40,939	**84,007**
Coalinga Redevelopment Agency	2,619,476	2,619,476	121,810	96,665	**218,476**
Orange Cove Redevelopment Agency	759,148	943,848	35,302	34,830	**70,132**
Mendota Redevelopment Agency	720,443	826,091	33,502	30,485	**63,987**
Clovis Community Development Agency	3,457,939	5,319,356	160,800	196,298	**357,098**
Kerman Redevelopment Agency	257,502	522,623	11,974	19,286	**31,260**
Redevelopment Agency of the City of Fresno	15,870,115	17,547,137	737,988	647,535	**1,385,523**
Huron Redevelopment Agency	515,713	515,713	23,982	19,031	**43,013**
Fowler Redevelopment Agency	741,280	946,640	34,471	34,933	**69,404**
Parlier Redevelopment Agency	1,354,132	1,385,895	62,969	51,143	**114,113**
Kingsburg Redevelopment Agency	468,113	549,618	21,768	20,282	**42,050**
Sanger Redevelopment Agency	974,624	1,102,915	45,322	40,700	**86,022**
San Joaquin Redevelopment Agency	310,721	594,196	14,449	21,927	**36,376**
Glenn County					
Willows Community Redevelopment Agency	0	0	0	0	**0**
Humboldt County					
Fortuna Redevelopment Agency	899,944	1,427,395	41,849	52,675	**94,524**
Eureka Redevelopment Agency	3,978,287	4,153,375	184,997	153,270	**338,268**